

Australia Pacific LNG Pty Limited

Income Tax Transparency Report

Year ended 30 June 2021

Australia Pacific LNG Pty Limited ('APLNG') makes a significant contribution to the communities in which it operates, including local employment, the procurement of local goods and services where possible and by paying State Government royalties and Q-leave.

APLNG is open and transparent about its tax arrangements and undertakes all required tax compliance and reporting obligations. All of APLNG and its subsidiaries' activities only have operations in Australia.

As a company that has been classified by the ATO as a Top 100 public and multinational taxpayer, APLNG plays a prominent role in the Australian tax system. APLNG proactively engages with the ATO and state revenue authorities on a regular basis to ensure tax regulatory requirements are fully understood.

Under the Action Differentiation Framework¹, the ATO's engagement is to partner with APLNG, meaning that the ATO has confidence in APLNG's tax compliance and ongoing commitment to maintaining an open and transparent relationship with the ATO.

The ATO has issued APLNG with a high level of assurance for income tax in respect of the 2018 year under its justified trust initiative and noted that APLNG demonstrated conservative tax behaviour and a good level of transparency.² APLNG maintained this high assurance rating in the 2019 and 2020 tax years. The review of the 2021 income year is currently underway.

ATO tax transparency reporting

The ATO's report on tax entity information for the 2021 income year includes details of tax paid as compared to revenue. This report doesn't disclose what is invested to earn that income nor the expenses incurred to derive the revenue.

The ATO report includes the following information with respect to APLNG for the year ended 30 June 2021:

Total income	\$4,615,938,979
Taxable income	Nil
Income tax payable	Nil

The accounting profit before income tax for APLNG for the year ended 30 June 2021 was \$864,002,649, as compared to taxable income of \$139,748,495 before the utilisation of tax losses carried forward from prior years. The most significant reason for the variance between these amounts relates to timing in the depreciation of capital assets. Generally, tax depreciation is more concessional than accounting depreciation to provide business with incentives to invest. Another reason for the variance relates to a foreign exchange loss deduction associated with project finance debt repayments.

After the utilisation of tax losses carried forward from prior income years, APLNG's taxable income was nil for the 2021 income year.

¹ The Action Differentiation Framework (ADF) is the ATO's new strategic approach to engaging with public and multinational businesses. For further information on ADF, please refer to the ATO's website, <https://www.ato.gov.au/Business/Large-business/Action-Differentiation-Framework/>

² The justified trust initiative involves a comprehensive review of a taxpayer by the ATO with objective evidence that would lead a reasonable person to conclude that the taxpayer achieved the right tax outcomes in its income tax return. This is a higher level of assurance than confirming that certain risks do not arise. For further information on justified trust, please refer to the ATO's website, <https://www.ato.gov.au/business/large-business/justified-trust/>

The Australian tax consolidated group

APLNG lodges a single Australian tax return which consolidates the results of all of its wholly owned Australian resident companies.

APLNG changed its functional currency from Australian Dollars ('AUD') to United States Dollars ('USD') from 1 July 2016 as required under accounting standards. Also, with effect from the same date APLNG elected to change its functional currency from AUD to USD for income tax purposes.

As a result of the change in functional currency for accounting purposes, APLNG elected to present the APLNG Group's financial statements in USD presentation currency from 1 July 2016. Although APLNG's presentation currency in its financial accounts is USD, the company is required to disclose amounts in its Australian tax return in AUD and has done so using the ATO's published average foreign exchange rate for the year ended 30 June 2021 (0.7468) (FY2020: 0.6878).

ATO Guidance Information

The ATO has also published guidance to assist in interpreting the tax entity information that it will publish (see: <https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Report-of-entity-tax-information/>). This should be referred to in detail. However, the following extracts are particularly relevant to APLNG and its subsidiaries in relation to the year ended 30 June 2021:

Reporting of entity tax information

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Factors affecting the data

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Economic factors affecting profit or loss

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Several factors can affect the economic performance of sectors of the economy at various points in the economic cycle. For example, these could be commodity prices, policy changes and impacts of financial or health crises (such as COVID-19).

Some sectors of the economy can face challenging times whilst corporations in other sectors will see increases in revenue and profit. These broader economic factors will change the tax profile of a corporation and impact on the amount of tax paid.

Corporate income tax is payable on profits, not gross income or revenue. There are genuine reasons why corporations may not pay income tax, for example, due to operating losses, deducting losses from prior years, or expensing projects in a start-up phase.

Reasons for variations

The figures in the Report of entity tax information in themselves do not indicate if an entity is paying a high or low rate of tax. The tax system provides for a range of deductions and offsets affecting final tax payable figures.

Measuring a company's effective tax rate (how much tax they pay as a percentage of profits) requires more information than what's in the report.

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Variations can come from the use of tax losses. Tax losses can generally be carried forward and offset against taxable income in future income years. Losses carried forward are subject to integrity rules that restrict the use of those losses where there is a substantial change in company ownership (the continuity of ownership test) and the type of activity undertaken by the business (the same business test or the similar business test). Losses generated by one member of a tax consolidated group can generally be used against profits earned by other members of the same group.

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Comparisons with other sources

The figures in the Report of entity tax information are not easily compared or reconciled with aggregated figures reported in our annual report, or figures from reports lodged with the Australian Securities & Investments Commission (ASIC) and the Australian Securities Exchange (ASX).